

FISCAL NOTE

Bill #: SB0065

Title: Revise veteran's property tax and vehicle fee benefits

Primary Sponsor: Roush, G

Status: As Amended in House Committee

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:		
General Fund	\$3,068	\$0
Revenue:		
General Fund	(\$6,585)	(\$117,677)
State Special Revenue		(\$6,939)
Net Impact on General Fund Balance:	(\$9,653)	(\$117,677)

- | | |
|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue

1. This bill is effective on January 1, 2004, and will affect the property tax revenues received in FY 2005 and after.
2. The bill expands the requirements used by the Department of Revenue to determine eligibility for the disabled or deceased American veteran (DAV) property tax exemption. The residence and the lot on which the residence is built are exempt from property taxation. The property is subject to any local government fees and special assessments for services.
3. Currently, there are 1,002 veterans using the existing law that exempts their property from a tax liability.
4. After application of the homestead exemption, the market value of the exempt properties currently receiving the benefit total \$53,156,520, or \$53,050 per residence. The taxable value of these properties is \$1,839,216 ($\$53,156,520 \times .0346 = \$1,839,216$).
5. The exempted taxable value per veteran is \$1,836 ($\$1,839,216 / 1,002 = \$1,836$).
6. The bill will result in an additional 430 veterans being eligible for the current property tax exemption program. For purposes of this fiscal note it is assumed that all 430 eligible veterans will receive the property tax exemption.

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7. The estimated total exempted taxable value of the 430 eligible veterans is \$789,284 (430 x \$1,836 = \$789,284).
8. Based on the taxable value calculated in assumption #5, the state general fund will experience a reduction of \$74,982 beginning in FY 2005 and all following fiscal years (\$789,284 x .095 = \$74,982). The special revenue account used for support of the university system will experience a reduction of \$4,736 in FY 2005 and all following fiscal years (\$789,284 x .006 = \$4,736).
9. There is no data available to quantify the impact of the percentage reduction in the tax rate identified in Section 6 (2) of the proposal. For purposes of this fiscal note only it is assumed that 100 veterans in each income bracket identified in the proposal will be eligible for the property tax relief provided. No estimate is included for determining the property tax impact for the surviving spouse of an eligible veteran.
10. The following table displays the estimated impacts to the state general fund and the state special revenue account used to support the university system for each 100 veterans in each rate reduction bracket.

SB65 Veterans Exemption Estimated Impact to the state general fund and University accounts for FY2005 and future fiscal years				
	<u>Exemption Rate</u>			<u>Current Law</u>
	<u>20%</u>	<u>30%</u>	<u>50%</u>	<u>100%</u>
Average Assessed*	\$53,050	\$53,050	\$53,050	\$53,050
Tax Rate	<u>0.692%</u>	<u>1.038%</u>	<u>1.730%</u>	<u>3.46%</u>
Taxable Value	\$367	\$551	\$918	\$1,836
100 participants	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total Taxable Value	\$36,711	\$55,066	\$91,777	\$183,554
GF impact of proposal (95 mills)	\$3,488	\$5,231	\$8,719	-
Gf impact current law (95 mills)	<u>\$17,438</u>	<u>\$17,438</u>	<u>\$17,438</u>	\$17,438
Difference, loss to the general fund	<u>(\$13,950)</u>	<u>(\$12,206)</u>	<u>(\$8,719)</u>	-
University Impact SB65 (6 mills)	\$220	\$330	\$551	-
University Impact, current law (6 mills)	<u>\$1,101</u>	<u>\$1,101</u>	<u>\$1,101</u>	\$1,101
Difference, loss to the university fund	<u>(\$881)</u>	<u>(\$771)</u>	<u>(\$551)</u>	-
* after homestead exemption applied				

11. Under the proposal, it is estimated that for every 300 eligible veterans, with 100 in each reduced tax rate bracket, the general fund would lose \$34,875 (\$13,950 + \$12,206 + \$8,719 = \$34,875) in FY 2005 and in future fiscal years. The state special revenue account would lose \$2,203 (\$881+\$771+\$551 = \$2,203) in FY 2005 and in future fiscal years.
12. There is no administrative impact to the department for implementation of the bill.
13. Under this proposal, the \$5 fee in lieu of all other fees and taxes paid by qualified disabled veterans as defined in 61-3-332 on a motor vehicle is eliminated. This will result in a reduction in revenue going to the state general fund by \$6,585 in FY 2004 and \$7,820 in FY 2005.

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Department of Justice

14. This bill requires applicants for special veteran plates to pay a \$10 cemetery fee when motor vehicle license plates are issued, renewed, or transferred. Previous to this bill, the special veteran plate transfer transactions were not assessed this fee. Statistical information is not available to estimate the increased revenues in the special revenue account for state veterans' cemeteries as it is virtually impossible to determine how many individuals will transfer their special veteran plates from one vehicle to another and how many times. It is assumed that what increase in revenues might be generated by this assumption would be offset by lowering the fee waiver criteria.
15. Under this bill the number of individuals eligible as 50 percent or more disabled and Purple Heart recipients exempt from paying motor vehicle registration fees other than the cemetery fee would increase, which may result in a decrease in motor vehicle registration fee revenues. This bill also changes the vehicle registration fee and veterans' cemetery fee waiver eligibility to 100 percent service-connected disability, which may result in a limited increase in the number of individuals exempt from the fees.
16. At calendar year end 2001, there were approximately 680 vehicles registered as National Guard, 290 military reserve, 1,260 disabled veterans, 120 ex-POW, 70 Pearl Harbor, 13,940 veteran, and 770 Purple Heart special military plates. Information regarding the number of Montana residents who are active members of the armed forces and who would purchase veterans' license plates is unavailable.
17. Administrative expenses increase by \$3,068 in FY 2004 to provide for programming to update the motor vehicle registration application system to ensure the \$10 cemetery fee is assessed to transferred plate transactions.

FISCAL IMPACT:

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Department of Revenue		
<u>Revenues:</u>		
General Fund (01)	(\$6,585)	(\$117,677)
State Special Revenue (02)		(\$6,939)
 Department of Justice		
Program 12-Motor Vehicle Division		
<u>Expenditures:</u>		
Operating Expenses	\$3,068	\$0
 <u>Funding of Expenditures:</u>		
General Fund (01)	\$3,068	\$0
 <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$9,653)	(\$117,677)
State Special Revenue (02)		(\$6,939)

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EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

County, city and local schools currently receive an estimated \$363,842 in property tax revenue that they would no longer receive under this proposal.

Under 15-10-420, MCA, county and city governments could “float” their mill levies to offset the revenue loss. The extent of revenue loss to counties and cities is dependant on each county and city government’s choice to absorb the revenue loss or to float mill levies to offset some or all of the revenue loss.

The extent of the revenue loss to local school districts is dependant on the impact of the revenue loss on the guaranteed tax base (GTB) funding to the schools general fund and each school districts choice to absorb the revenue loss or float mills to offset some or all of the revenue loss to their non-general funds.

TECHNICAL NOTES:

1. Section 6, (1) strikes language that identified the proof of income that was to be used in determining eligibility for the reduced property tax rates identified in Section 6 (2). Language identifying the source(s) of income will give greater direction to the Department of Revenue when making the determination of eligibility for the proposal.